HARDWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	LAWN AND GARDEN			
1	SLR Temper 1 & handle, round pt shovel	427	6.67	2,848.09
2	SB14 Temper Bow rake	318	6.74	2,143.32
3	1521-50 color promo reinf ½ x 50'	350	5.87	2,054.50
4	500/501-50 Colorite vinyl hose	630	3.26	2,053.80
5	90 Melnor garden spray poly 2 gal	60	32.46	1,947.60
6	930-50 Color 3-tube sprinkler hose	340	5.45	1,853.00
7	61 Melnor rain osc sprinkler	288	5.48	1,578.24
8	21020 Signet 27 radial hose, 75'	99	14.79	1,464.21
9	1601-50 Color ⅝ nylon reinf hose	145	10.06	1,458.70
10	1975N R-L Tank sprayer galv, 3 gal	54	22.65	1,223.10
11	9560C Melnor pulse w/plastic spike	156	7.06	1,101.36
12	1973 N R-L Tank sprayer galv 2 gal	54	20.28	1,095.12
13	970C Melnor gun hose nozzle	760	1.39	1,056.40
14	9746 Vil vlk hedge trim 16" dbl	24	42.29	1,014.96
15	69 Melnor rain osc spklr br jet	84	12.00	1,008.00
16	SD-12 Cardinal garden glove 12DZP	5	192.09	960.45
17	5940 Paramount gutter clean access	61	15.22	928.42
18	21002 Signet rubber hose ⅝ x 50'	55	14.79	813.45
19	SL22 Tempr springback leaf rak	97	7.86	762.42
20	1603 SL-75 Color ⅝ all-weather	45	16.90	760.50
21	53C Melnor plas hand spray	384	1.94	744.96
22	5900/PB100 Paramount pro blower	14	52.82	739.48
23	21008 Signet supple hose ⅝ x 50	60	12.28	736.80
24	20398 Signet camper hose ½ x 50'	80	8.99	719.20
25	1501-50 Color ½ nylon reinf hose	95	7.23	686.85
26	RC24 Greenes trim fence 18" x 12'	80	8.55	684.00
27	RC15 Greenes garden fence 2' x 20'	48	13.84	664.32
28	6630-50 Color ⅝ rubber/vinyl hose	60	10.44	626.40

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	PAINT			
1	0013 Formby 32-oz furniture refinish	156	8.54	1,332.24
2	0015 Formby 8-oz lemon oil	636	2.04	1,297.44
3	64 Deft clear semigloss, 13 oz	282	3.17	893.94
4	0016 Formby 8-oz furniture cleaner	432	2.04	881.28
5	0011 Formby 64-oz furniture refinish	60	14.24	854.40
6	62 Deft clear semigloss	132	5.35	706.20
7	92 Defthane clear polyurethane satin gloss	40	17.59	703.60
8	0032 Formby intro to refinishing	66	10.56	696.96
9	61 Deft clear semigloss	40	15.31	612.40
10	88 Defthane clear polyurethane gloss	32	17.60	563.20
11	9304 qt C Tripp wood stain Amer Walnut	108	4.99	538.92
12	9304 pt C Tripp wood stain Amer Walnut	144	3.56	512.64
13	0014 Formby gal furniture refinish	20	25.62	512.40
14	0033 Formby 64-oz paint remover	60	8.54	512.40
15	1606 qt C Tripp clear fin gloss	90	5.40	486.00
16	0035 Formby 32-oz paint remover	96	4.99	479.04
17	9304 pt C Tripp wood stain Amer Walnut	204	2.33	475.32
18	103 Waterlox gym finish, gal	32	14.52	464.64
19	1613 Borden krylon semiflat black	180	2.43	437.40
20	91 Defthane clear polyurethane gls, 13 oz	132	3.19	421.08
21	95 Defthane clear polyurethane stn, 13 oz	132	3.19	421.08
22	63 Deft clear semigloss	114	3.69	420.66
23	1301 Borden krylon crystal clear, 13	168	2.43	408.24
24	1605 qt C Tripp clear fin satin	72	5.40	388.80
25	1606 ½ pt C Tripp clear fin gloss	156	2.48	386.88
26	XL89 qt Waterlox urethane satin fin	66	5.72	377.52

Source: Stem Distributing, Maple Heights, Ohio (For December 1981)

Bug Killers, Chemicals, Hoses Gain

As lawn and garden products begin to move into the stores, Stem Distributing's executives are focusing on the end of the selling season—and wondering how to lengthen it.

However, initial orders indicate the lawn and garden season of 1982 should be better than it was a year ago.

"Last year, many of our customers stopped ordering goods by May, which hurt us," reported Steve Plecko, lawn and garden buyer for the Maple Heights, Ohio-based distributor. "The season really gets under way in late March and April so the lack of May orders indicated that store stock levels were too high for our customers to reorder."

Areas which Plecko wants to improve on include long- and short-handled tools; patio items, such as barbecue tools, wheel covers and torches, and lawn sprinklers.

"We had poor results in our hand-tool selection and sprinklers, and while there wasn't a clear reason for the sprinkler dropoff, our hand-tool business decreased partly because of a categorywide price increase," said Plecko.

At wholesale, hand-tool prices went up 12% to 15% last year, about a $1.50 hike on the ticket of an item, Plecko noted. By the time the tool reached the stores, it had often increased $3 to $4. The net result was that consumers turned away from the well-known national labels in favor of less expensive tools.

The most recent PMA from Stem covers the 30 days ended Dec. 31, 1981. The top dollar mover on the audit was an SLR round-point shovel, which carried an average retail of $6.67. The No. 2 spot also went to a hand tool: a Temper bow rake with a total dollar movement of $2,143.32. Plecko takes that as a sign that last year's tool slump may be over.

Anything that had to do with garden hoses "sold like crazy" during December, and Plecko said this is one area where the figures show consumers are trading up from the lowest-priced hose on the shelf.

Movement was also strong in 14-in. and 16-in. diameter hose storage reels. Sales on the item were excellent last year, and Plecko expects them to do well.

Hoses finished fourth, sixth and eighth in total dollar movement.

In addition to garden hoses, Plecko was pleased with last year's results in electric bug killers and lawn chemicals.

"All three areas should be strong again in 1982," he said.

Chemical sales also rebounded last summer, after a softening during the previous two years when consumers initially responded to environmentalist warnings about the products and stayed away from them, particularly the sprays.

In paint, the top-dollar finisher was a Formby 32-oz. furniture refinisher. Sales are expected to increase as customers begin buying for the spring fix-up season.

HEALTH & BEAUTY AIDS

High End Makes Scents

Discounters achieved significant gains in fragrance sales during 1981.

According to Boston Distributors of Maple Heights, Ohio, the firm supplying this Product Movement Audit, fragrance sales went ahead by approximately 13% last year.

This audit, covering the period Feb. 2 through Dec. 4, 1981, showed the continuing dominance of Revlon's Charlie and Jontue in the women's fragrance category. Enjoli by Charles of the Ritz also continued to be a strong seller and took three places among the top 15 best sellers.

Although fragrances customarily stocked by the mass merchants captured almost all 15 spots on the PMA, designer and higher-priced fragrance lines gave a boost to total sales.

For instance, Nina Ricci's L'Air du Temps was a newcomer to the PMA and ranked No. 14. Diane Von Furstenberg's Tatiana also moved well but did not make the PMA.

Many discounters stock such high-end fragrances as Lagerfeld's Chloe and the Givenchy line when they are available through diverters, and movement has been brisk. The object of these additions to the assortment is to snare plus business from customers who do not ordinarily purchase fragrances in discount stores. The tradeoff is, of course, that gross margins on these items are usually thin.

In women's gift sets, Shulton's Cie captured a top spot, the No. 3 rank, for the first time.

Overall sets increased in sales last year with Faberge's Babe, Cie, Charlie and Jontue vying for top honors. The Babe set, priced at under $5, was the undisputed winner in unit and dollar sales.

Jean Naté continued to dominate the franchised bath products market, taking five of the top 15 rankings. The audit also shows that major-brand dusting powders outpaced sales in lotions and related bath items.

Love's Baby Soft line took only one PMA spot, No. 11, in the fragrance audit. But, according to Boston Distributors, the entire line has been performing well, primarily due to its appeal to young, particularly teenage, customers. Ancillary products such as talc, bubble bath and body lotion all contributed to the line's strong performance during 1981.

Boston Distributors also reported a strong pickup in sales of all ancillary products even where the manufacturers' advertising emphasis is on the fragrance items in the line. No. 1 among these ancillary products is body lotion.

Customers are expected to increase their comparisons of the value offered by, for instance, an 8-oz. body lotion selling for $10 vs. a 2-oz. fragrance selling for $10.

Their conclusion is likely to be that the lotion is more fragrance for the money, and there is also the added benefit of the moisturizing feature.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	WOMEN'S FRAGRANCES			
1	Charlie Spray Cologne 1.7 oz. #9116	11,041	8.65	95,505
2	Jontue Spray 0.6 oz #3434	16,278	4.85	78,948
3	Charlie Spray Cologne 0.4 oz #3437	12,903	4.88	62,967
4	Jontue Spray Cologne 2.4 oz #9103	3,632	9.21	33,451
5	Jovan Musk Spray Concentrate 2 oz JF994	3,631	8.85	32,134
6	Chimere Spray Cologne 0.75 oz # 380	5,655	5.55	31,385
7	Cachet Spray 1.5 oz #5138	4,270	7.33	31,299
8	Coty Wild Musk Natural Spray 1.5 oz #298	5,838	5.24	30,591
9	Enjoli Spray 0.5 oz #1305	7,301	4.05	29,569
10	Enjoli Natural Spray 0.6 oz #1325	6,498	4.27	27,746
11	Love Baby Soft Spray 1.75 oz #35608	5,223	4.91	25,645
12	Enjoli Natural Spray 1.25 oz #1300	3,988	6.33	25,244
13	Windsong Spray 1.4 oz #6297	3,389	7.36	24,943
14	Jovan Musk Oil Perfume #JF999 1/3 oz	3,585	6.70	24,020
15	L'Air du Temps 1.7 oz #7156	2,047	10.92	22,353
	WOMEN'S GIFT SETS			
1	Babe Splash & Deodorant #1080	8,001	3.84	30,724
2	Adventures With Charlie #1983	3,432	8.63	29,618
3	Cie #4438	3,512	7.72	27,112
4	Jontue Beautiful Cologne #9222	2,393	10.63	25,438
5	L'Air du Temps special #7208	1,968	12.46	24,521
6	Emeraude $15 value #9194	2,198	7.51	16,507
7	Windsong #4403	2,156	7.22	15,566
8	Cachet Spray & Cologne #4430	2,001	7.66	15,328
9	Jontue Two Moods #5389	1,771	8.41	14,894
10	Jean Nate Travel Essential #173	2,927	4.95	14,489
11	Babe #1079	2,908	4.91	14,278
12	Windsong Touch Up/Talc #4404	1,823	7.42	13,527
13	Jean Nate Private Moments #172	2,313	5.64	13,045
14	Windsong Bath #4409	1,441	8.74	12,594
15	Chimere 1.5 oz Cologne/Perfume #448	1,624	7.62	12,375

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	CHRISTMAS DISPLAYS: WOMEN'S FRAGRANCES			
1	Emeraude Basic Prepack Assorted #988-1	219	251.58	55,096
2	Cachet Christmas Display #4440	225	198.30	44,618
3	Windsong Christmas Display #4414	230	170.07	39,116
4	Enjoli Christmas Assorted #23012	233	153.48	35,761
5	Heaven Sent Christmas Assorted #3119	229	152.79	34,989
6	Jean Nate Christmas Assorted #21037	227	152.14	34,536
7	Senchal Introduction Deal #29003	137	266.67	31,054
8	Coty Wild Musk Spray Deal #986-4	5,268	5.35	28,184
9	Enjoli Stocking Stuffer Deal #23011	8,016	3.18	25,491
10	Chimere Christmas Display 4487	181	132.25	23,937
11	Coty Stocking Stuffer Assorted #990-1	7,557	3.13	23,653
12	Love Furry Friend Assorted #39216	3,888	5.83	22,667
13	Aviance Christmas Display Deal #04469	169	126.84	21,436
14	Jean Nate Perfume Dusting Powder #21036	3,300	6.49	21,417
15	Coty Wild Musk Ladies' Assorted 986-1	79	248.23	19,610
	FRANCHISED BATH PRODUCTS			
1	Jean Nate Splash 8 oz #11	3,850	3.58	13,783
2	Charlie Dusting Powder 5 oz #8598	1,388	8.46	11,742
3	Jean Nate Splash #00009 16 oz	2,156	5.40	11,642
4	Jontue Dusting Powder 5 oz #0020	1,336	8.40	11,222
5	Windsong Dusting Powder 8 oz #6097	1,331	8.42	11,207
6	Jean Nate Bath Beads 15 oz #46	3,882	2.51	9,744
7	Jean Nate Talc 4 oz #19	3,295	2.68	8,831
8	Jovan Musk Body Powder JF996	1,308	6.68	8,737
9	Cachet Dusting Powder 4 oz #5129	1,295	6.37	8,249
10	Cie Perfumed Body Powser #4258	849	8.83	7,497
11	Enjoli Dusting Powder #1505	946	7.66	7,246
12	Tabu Dusting Powder 4 oz #1404	1,610	4.44	7,148
13	Cie Body Lotion 8 oz #4280	750	8.47	6,353
14	Ambush Dusting Powder 4 oz #5404	1,401	4.45	6,234
15	Jean Nate Bath Powder 6 oz #20	1,386	4.48	6,209

Source: Boston Distributors, Maple Heights, Ohio (For Feb. 2-Dec. 4, 1981)

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5-Stop Route Can Be Driven 120 Ways

How to Hike Profits Through Vehicle Routing

By Stephanie M. Shern
Partner, Arthur Young & Company

Even though thousands of United States retailers operate private truck fleets, relatively few take advantage of opportunities for savings (and hence increased profits) which arise from the way they route their vehicles.

According to a new research study conducted by Mike Hooban and Bob Camozzo of the Washington office of Arthur Young, inefficient truck routing can add tens or even hundreds of thousands of dollars to distribution costs. For example, as Hooban and Camozzo point out, a route with as few as five stops can be driven in as many as 120 different ways. With six stops, the number of combinations hits 720, and with 10 stops, there are theoretically more than three million ways to drive the route.

Caught In a Squeeze

The major problem is that dispatchers rarely have the time—or sufficient information—to figure out routing changes that can result in real savings, yet even minor route changes can produce savings in mileage and running time. Here are two examples of how routing changes can result in big savings for retailers:

The first involves a large retail chain with outlets in several states. Trucks from the company typically visit four to six stores per day. In evaluating a recent set of delivery runs, it was determined that rearranging stops within existing routes produced a mileage saving of 11%, while very simple restructuring of the routes themselves provided an additional 3% saving. This process didn't involve major changes in delivery patterns, but was based on relatively minor changes in the order of stops.

Expenses Cut

A second example involves trucks delivering to an average of 15 to 20 stores in a large metropolitan area. Because a larger number of stops creates more possibility for improvement, the saving from reordering stops here amounted to 15%-20%. There was an additional 5% saving from exchanges of stops between different routes.

To develop improved routes and loadings, computer-based procedures can be used to identify optimal or near-optimal routes. Most such procedures, or "packages," also allow the user to specify restrictions on roads, delivery times, truck capacity, and other considerations. The benefits from such packages typically include reductions in mileage-related expenses, reduced overtime, improved service, and a need for fewer trucks.

Some earmarks of a situation in which automating the routing process is likely to be worth examining include the following:

- Gross annual transportation expenditures of $500,000 or more. This helps to assure a reasonable payback period for implementation costs, given reasonable savings from improved routing.
- More than five stops per vehicle per trip. This implies that the problem is complex enough to benefit from computerized route generation.
- Manual or quasi-manual routing procedures. Putting zones or a prespecified route order on the computer simplifies dispatching, but does not generally optimize routes. Procedures which do this involve special mathematical computations and do not merely replicate the dispatcher's approach.

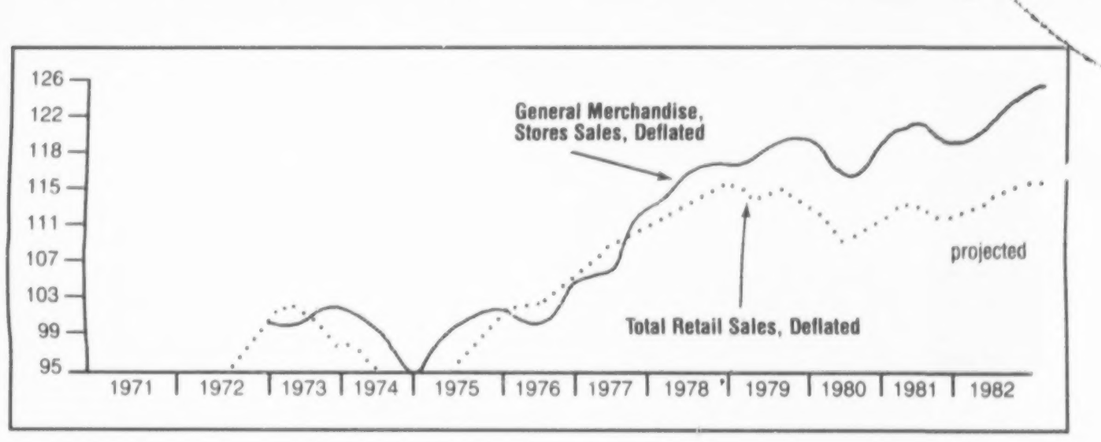
Another Attempt

It also helps if the retailer has significant numbers of side constraints, such as delivery time windows. As with number of stops, these add to the complexity of the routing problem and provide opportunities for the computer to improve on old routing systems—and provide additional opportunities for savings.

Stephanie Shern, C.P.A., is a former chairman of the New York State Society of Certified Accountants' retail accounting committee, for which she has conducted various seminars, and is a member of the board of the Metropolitan (New York) Retail Financial Executives Association. She is also a member of the National Mass Retailing Institute, the National Retail Merchants Association and the American Institute of Certified Public Accountants.

L/F Econocycle

Discount Sales Set For Midyear Comeback, New Year-end Peak



General Merchandise/Discount

	Sales Change By Quarter '81 1Q %	'81 2Q %	'81 3Q %	'81 4Q %	'82* 1Q %	'82* 2Q %	'82* 3Q %	'82* 4Q %	12-Month % Change 1980 %	1981 %	1982 %
Sales include Inflation	7.9	12.5	9.4	5.5	3.1	2.9	7.2	10.5	5.9	8.8	5.9
Real sales (Deflated)*	0.9	5.8	3.1	0.4	−1.8	−2.2	1.9	3.5	−1.5	2.5	0.3

Base = Nov. 1981 Sales
*Projected

Tight-fisted consumer spending patterns (chart below) are again acting as a mirror to the general retail sales curve—indicating that retail gains could match, but won't outrun 1981 results or levels, according to the latest Econocycle forecasts.

Coupled with a current downturn in the spending mood, in fact, general retailing is not expected to begin posting positive gains until midyear. The good news is that sales should begin nosing up through the second quarter, propelled by strong gusts in several key retail sectors.

Discount stores will pretty much match the general retail trend. After a tailing off that began in mid-1981, discounters are already reversing engines and improving their sales trends noticeably. Overall, the industry probably won't show any real gains until the third quarter, but a powerful sales surge should lift discounting to new volume peaks by year's end—well past 1980 highs, the L/F computer model now indicates.

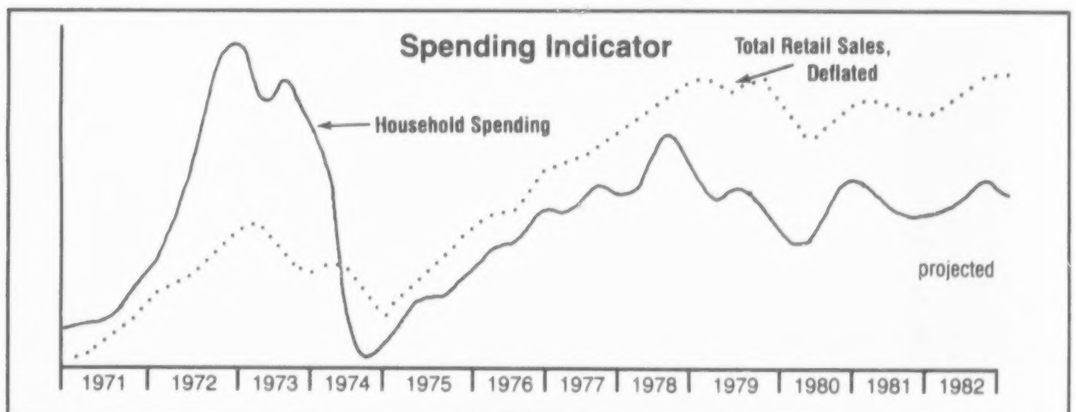
The L/F Econocycle forecast is for a 1% decline in sales (vs. 1981) in March—following a 2% dip in February.

For general retailing, the latest figures now indicate that fourth-quarter 1981 results were not quite as poor as previously forecast by the L/F model. Three months ago, Econocycle predicted a 0.2% fourth period increase. New figures bare an improved 0.4% gain in the still-to-be tabulated fourth quarter.

Looking further ahead, total retail sales will continue to decline through March, but at a slower rate (off 2% for the month vs. same-time last year). Then, sales should rebound with the spring "thaw."

The general retail sales trend will continue to improve over the next few months, thanks to assists from several key retail sectors:

- Supermarket and grocery sales figure to match 1981 gains during the first quarter, for instance, and, by year's end, food volume will again top prior-year stats.
- Apparel specialists and department stores are expected to post first-quarter gains—up to 2% higher than '81.
- And in food-service retailing (restaurants, fast-food outlets), the '82 comeback will pick up speed in the second quarter and really take hold in the last half, the L/F computer model indicates.



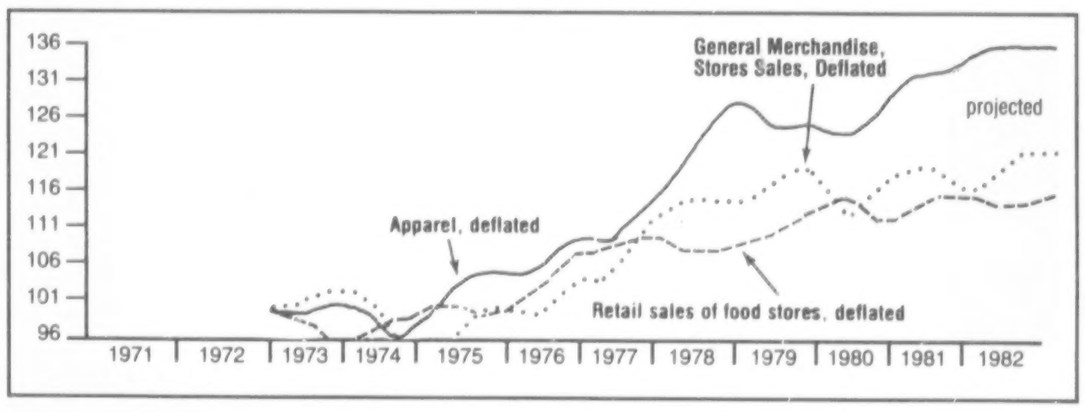
Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1981	1Q	8.9	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	13.6	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q	10.2	9.5	9.7	7.5	8.1	5.1	8.5	9.4	8.3
	4Q	7.4	8.3	6.6	− 2.0	4.3	3.4	7.9	5.5	5.6
1982	1Q*	5.3	8.1	5.8	− 4.8	4.6	3.0	3.8	3.1	3.2
	2Q*	3.6	8.1	5.3	7.1	4.6	9.5	6.2	2.9	5.0
	3Q*	7.0	8.6	9.3	16.6	6.0	10.9	6.7	7.2	7.9
	4Q*	10.3	9.5	11.3	16.5	6.7	8.8	5.9	10.5	9.1
% change 12 mos.	1980	6.4	10.8	8.7	− 3.2	11.9	4.7	4.6	5.9	5.4
	1981	9.9	9.7	8.7	7.1	8.2	6.4	8.7	8.8	8.2
	1982*	6.6	8.6	7.9	8.5	5.5	8.0	5.6	5.9	6.3

Real Sales (Deflated)*
% Change By Quarter

1981	1Q	0.7	− 1.4	− 2.1	− 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	0.3	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q	2.2	1.4	0.6	0.8	− 1.7	− 0.4	4.1	3.1	2.6
	4Q	0.4	3.6	− 1.0	− 7.2	− 4.1	− 2.1	4.5	0.4	0.8
1982	1Q*	− 1.5	2.4	− 0.5	− 8.2	− 2.1	− 3.4	0.7	− 1.8	− 1.6
	2Q*	0.6	− 0.6	− 1.3	2.8	− 0.1	1.6	3.2	− 2.2	− 0.3
	3Q*	2.2	− 0.7	2.2	8.8	2.7	2.3	3.8	1.9	2.4
	4Q*	3.2	− 0.6	3.2	6.8	3.4	0.7	2.5	3.5	2.7
% change 12 mos.	1980	− 3.3	3.0	− 0.7	−12.4	2.5	− 1.4	0.1	− 1.5	− 1.2
	1981	1.7	1.0	− 0.1	− 0.5	− 1.3	0.7	4.7	2.5	2.6
	1982*	1.1	0.1	0.9	2.2	1.0	0.3	2.6	0.3	0.8

Base = Nov. 1981 Sales
*Projected



About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (= 100) in order to establish meaningful performance comparisons.

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Why Coan Lost Korvettes: Pp. 60-61

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Former Giant Gibson's Eyes Comeback

H. R. Gibson Sr., founder of the sprawling Texas-based Gibson franchise chain, was one of discounting's most colorful figures. Known as a self-admitted country-style wheeler-dealer, Gibson built one of the industry's leading chains, with nearly 700 units and close to $2 billion volume, in a decade's time. What happened to the chain Gibson built? Some attribute its decline to his retirement, when he abandoned retailing for his controversial trade shows. Others say there was more to it.

This article is the first of a two-part series, tracing Gibson's chain from its origin to its uncertain future.

By Betty J. Taylor

He went into retailing in 1958 on a whim. By 1973, he had built a dynasty.

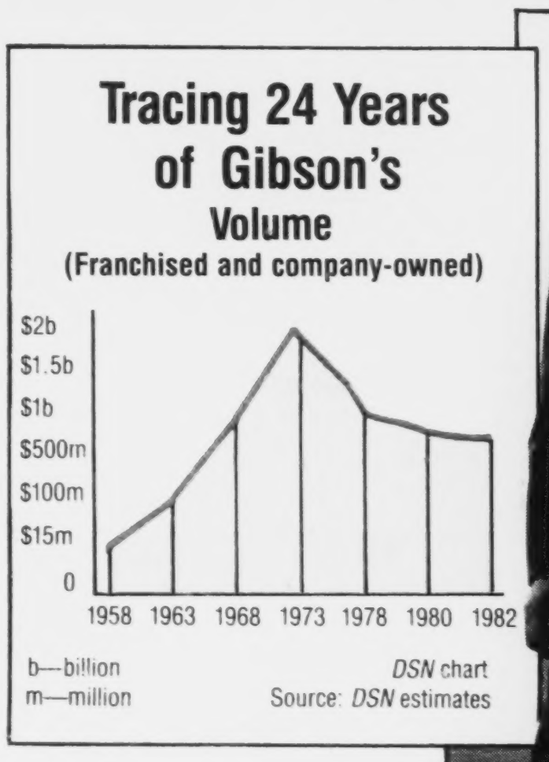
What remains of Herb Gibson Sr.'s empire, one which had 42 company-run units, nearly 700 franchises and $2 billion in sales in its heyday, is a skeletal organization of 250 franchised stores and a struggling, cooperatively owned distribution center in Dallas.

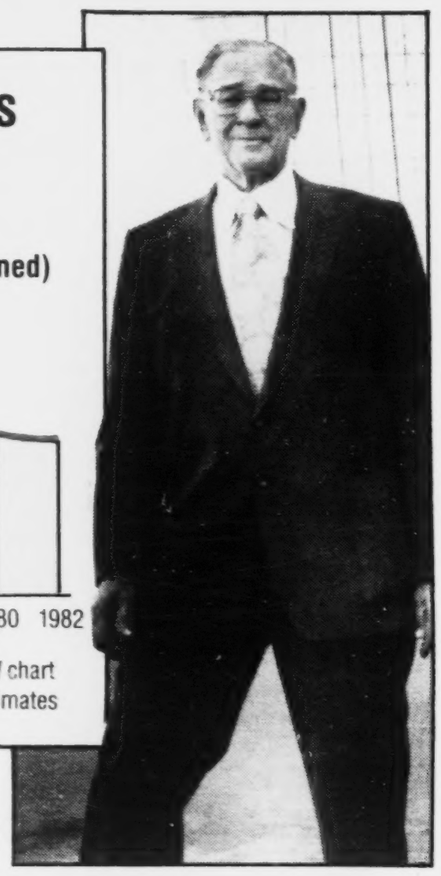
In fact, a good number of the franchised stores are now on the block and the future of the lifeline for nearly half of the franchisees—Gibson's Co-op warehouse in Dallas, a financially beset distribution center operated by the parent company until 1980—is in question. The last of the company-owned stores was disposed of in 1981.

But, Herb Gibson Jr., 46, now president of Gibson Discount Centers Inc., the parent company, says the loss of company-operated stores does not spell the end of the chain. What's more, he says, he plans to strengthen the skeletal franchise program and to aggressively solicit new members.

Most of the franchisees and many observers insist the death knell has sounded.

(Continued on page 71)





H. R. Gibson Sr., founder of the Gibson dynasty. *(DSN photo)*

More Dental Centers Will Be Taking Root In Discount Stores

Nationwide DSN Report

Leased dental centers are taking a bigger bite into discount stores industrywide.

K mart has been leasing out space in three of its Denver stores in a dental center test, and is now feeling confident enough to export the practice to other markets.

Zayre has opened nine dental centers within the last year—four in the last month—bringing the chain's total to a dozen, each averaging 2,000 sq. ft. with eight operating chairs.

Dental lessees in discount stores unanimously cite the high-traffic locations as a major factor in their choice to move into discount operations.

Lessees at K mart and Jamesway, among others, claim convenience is a key motivation for customers.

"One of K mart's objectives is to generate customer traffic," said Curtis Gudmundson, a franchiser who runs three K mart dental centers.

"We ran a survey which indicated that 63% of our dental customers were K mart shoppers while the other 37% came in because of the dental center," he added.

Dental centers in most stores run to 2,000 sq. ft., and both the pick-up in store traffic and a rent subsidy, which runs between three and four times the store's base rent per square foot, have made them particularly attractive for chains with oversized units.

Jamesway is planning to open dental centers in "a couple more locations" by year's end, and the chain's lessee, K & K Family Dental Centers, just opened its fourth unit in January. K & K operates three 2,200-sq.-ft. units and one 2,500-sq.-ft. unit, with six- and eight-chair capacity, respectively.

Dr. Robert King, co-founder of the centers, said he plans to add two or three units this year and noted that the clinics needed 50-plus patients a day to be profitable.

K mart dental operator Gudmundson said his centers each bring in 125 new patients per month, several times the growth rate of a traditional den-

(Continued on page 83)

K mart Denounces Price-Control Drive By Justice Department's Antitrusters

By Ken Rankin

WASHINGTON—Discount store industry leaders have opened fire on Reagan Administration antitrusters in charge of the Justice Department's campaign to curtail enforcement of the Federal ban on resale price maintenance.

The latest salvo came from top guns at K mart who charged that Justice Department antitrusters "went too far" in characterizing the nation's discounters as "free-riding" retail parasites who skim sales from full-service "dealers" by cutting prices.

The FTC has dropped half-a-dozen probes of alleged resale price maintenance schemes. See Washington Beat, p. 5

"Any wide and unthinking adoption of a 'free-rider effect' notion for a wide variety of types of products and services could turn the nation's distribution system backward," K mart government affairs vice president Robert Stevenson charged in a letter to Assistant Attorney General William E. Baxter. "In K mart's case, we try to offer economy to consumers of all types without any 'free rides' of any kind."

K mart's blast is the latest in a fresh series of industry protests against the reluctance of Reagan antitrusters to prosecute suppliers who impose coercive fair-trade restrictions and other vertical trade re-

(Continued on page 83)

The Last of Two Guys' Stores Passing Into Discount History

GARFIELD, N.J.—It's all over for Two Guys.

Parent Vornado quietly shuttered the six New Jersey units last month and at presstime was winding down going-out-of-business sales in its six remaining stores: five in the Baltimore market and one in Lancaster, Pa.

One executive claimed it would have taken too long for the dozen stores—all that remained from the chain's peak of 82 just five years ago—to become profitable after Vornado completed its reconciliation of the discounter's accounts with vendors.

Even if the dozen stores could have become profitable, trade observers said that "the end" was spelled out for Two Guys in 1979. That's when realtor Interstate Properties made its move on Vornado, parent of the pioneering discounter, arguing that the company was worth more as a real estate operation than as a retailer.

Interstate, in a bitter proxy fight that targeted board chairman Frederick Zissu as being responsible for the discounter's "poor performance," elected three directors as the opening salvo in taking over Vornado.

(Continued on page 84)

Digest

March 8, 1982

Hardware

- **Hardware buyers get ready for back-to-school with earlier** promotion of batteries and padlocks—two categories that are expected to do well in 1982. (p. 6)
- **Discounters say that if wall decor programs are going to succeed** stocks have to be broad and deep. Wal-Mart is discontinuing mirror tiles and Flair Squares. (p. 6)

H&BA

- **After a six-month test of H&BA and pharmacy, West Coast** cataloger Sam Gold has decided to get out of the business. (p. 13)
- **Discounters are focusing on hair care, adding higher-priced** accessories and large-size shampoos—even up to 32 oz.—to their H&BA departments. (p. 13)

Housewares

- **Nils Pedersen, merchandise manager, Zayre, reports that his** trip to the Milan Furniture Show was a success—on more than one count. (p. 19)
- **KD furniture is looking better and gaining more and more** consumer acceptance. Rose's, Zodys and Wal-Mart are beefing up assortments. (p. 19)

Specialty Discounters

- **Federated expects to add a specialty chain, The Children's** Place, after a court battle with the latter's shareholders. (p. 59)

State taxes threaten retailers. (p. 62)

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4 of Top 6 Discounters Have Hot January

Nationwide DSN Report

January turned into a moderately good cleanup month for discounters, generally, with four of the country's top six chains posting double-digit sales gains from the previous January.

Most chains outpaced January's results with 52-week gains from the previous year, a year which saw K mart gain more ground on Sears as the country's top-volume chain.

This year, K mart was an exception to the general trend, with bad weather during the second half of January pulling down "the very good sales pace of the first half," according to chairman Bernard Fauber.

Woolco reportedly weathered a tough year. Domestic sales at F. W. Woolworth decreased 1% in January, despite strong sales in specialty stores. Domestic sales increased 5.5% for the 52-week fiscal year.

Woolco's volume will not be broken out from domestic sales until April, but a financial analyst at Goldman Sachs projects same-store sales will be flat or decreased for at least six of the 12 monthly reporting periods.

Wal-Mart led discounter sales gains both in January and during the year. Though Target's monthly gains were sometimes greater on a percentage basis, much of the year was unusually inflated by volume from the acquired Ayr-Way stores. Target's 52-week volume (preliminary figure) of $2 billion put the chain 22% ahead of year-before sales. January sales gains were 17% ahead of the previous January.

Excluding sales of $21 million in January and $180 million yearlong, both derived from the acquired Big K stores, Wal-Mart's gains were 22.7% in January and 37.6% for the year. In same-store comparisons, growth was 9% in January and 15% for the 52 weeks, Wal-Mart controller Charles Self reported.

Elsewhere in the industry, Venture's 9% same-store sales gains for the 52 weeks ended Jan. 30 were the highest of parent May Department Store's major operating groups. Venture's January sales gains also led the parent company's groups in gross dollars gain and percentage gain, in what is seen as a turnaround year at the St. Louis-based chain.

$ Sales (millions)

Chain	4 Weeks Jan. '82	4 Weeks Jan. '81	4 Weeks % gain	52 Weeks Ending Jan. '82	52 Weeks Ending Jan. '81	52 Weeks Ending % gain
Sears Roebuck	1,194.0	1,125.0	6.1	19,674.0	18,120.0	8.6
K mart	981.0	836.9	17.2	16,528.0	14,204.0	16.4
Wal-Mart	173.0	119.0	45.4	2,440.0	1,643.0	48.5
F. W. Woolworth*	353.6	357.9	(1.2)	7,212.0	7,078.0	1.9
Zayre	78.1	69.0	13.2	1,797.0	1,556.0	15.5
Venture	33.0	31.1	6.4	611.3	560.9	9.0
Murphy's Mart	27.1	25.8	4.7	495.7	463.0	7.1
Gold Circle/Richway**	30.3	28.4	6.9	640.3	575.6	11.2

*( ) loss. *Corporate total. **Discount divisions of Federated Department Stores*

G. C. Murphy, another company which has been slowly turning around, was also led by its 106-store discount arm, Murphy's Mart. Murphy's Mart's January sales were up 4.7%, while sales declined

(Continued on page 84)

Service Joins Best In $1-Billion Club

NASHVILLE—Service Merchandise has become the second cataloger to exceed $1 billion in sales.

Company volume in the fiscal year ended Jan. 3 hit $1,027,-093,000, an 18.7% jump from $865,017,000. The net earnings increase fell slightly behind the sales gain, showing a 13.1% boost to $23,069,000 from $20,-389,000.

The cataloger joined Best Products as the only two showroom chains with $1 billion each in sales. Best was the first to reach the $1 billion mark, with $1,002,037,000 in sales in the fiscal year ended June 27, 1981.

Service Merchandise's sales increase came as the cataloger last year had a net gain of eight units: four showrooms and four The Toy Store specialty stores. The new showrooms that boosted its count to 116 (there are now six toy stores) included an upscale 60,000-sq.-ft. store in Novi, Mich., and an experimental scaled-down, 20,000-sq.-ft. unit in Holyoke, Mass.

The Novi and Holyoke showrooms have become the models for the eight Service Merchandises already scheduled to be opened this year. Two of these are acquired 20,000-sq.-ft. Kessler showrooms in the Greater San Jose, Calif., market, which debuted last month.

Besides those two stores, the mini-showroom format will be used in three other units: a 28,000-sq.-ft. store in Louisville, Ky., a 30,000-sq,-ft. showroom in the Castleton suburb of Indianapolis, and a 32,000-sq.-ft. showroom in a new wing being added to the Southtown Mall in Fort Wayne, Ind.

Novi is the prototype for the upscale look that will be used in a former 54,000-sq.-ft. Ontario discount store in Columbus, Ohio; a 60,600-sq.-ft. unit in Mehlville, Mo., which marks the cataloger's debut in the St. Louis area, and a 62,700-sq.-ft. showroom in the New York City suburb of Hartsdale, which is a carryover from last year.

Service Merchandise's eight new showrooms are the most that any cataloger has projected for 1982. This growth reflects commitments for showrooms made in the past year and the cataloger's eagerness

(Continued on page 82)

Murphy's MART
NEW! FROM ATARI®
BE THE FIRST TO HAVE THE NEW...
PAC-MAN
ATARI GAME CARTRIDGE
$5 DOWN
WILL ASSURE YOUR CARTRIDGE
FROM OUR 1ST SHIPMENT
SEE OUR COMPLETE LINE OF ATARI CARTRIDGES AT DISCOUNT PRICES!

Murphy's Mart Jumps the Gun

Murphy's Mart may be the first discounter out of the gate with Pac-Man. The Pennsylvania-based chain got a jump on its competitors by promoting the not-yet-released Atari version of the country's favorite arcade game in January. Newspaper and radio ads advised customers a $5 deposit would reserve one of the cartridges in the discounter's initial shipment, expected at the end of March.

Complicated Electronic Games Seen Wave of the Toy Future

NEW YORK—Sophisticated electronic games will be the wave of the toy future, as 58% of retailers and 89% of suppliers look to the adult market as an untapped growth area.

These findings, results of a study on electronic games and toys by research firm Frost & Sullivan, show that retailers and suppliers alike look to cartridge and programmable cartridge games to lead growth in the toy department through 1983.

Upward Spiral

Electronic games already account for 17% of total toy sales at general merchandise chains, the study found, and chain headquarters respondents expect cartridge electronic games to grow 36% for each of the next two years, while programmable games grow by 24% a year.

The strength in electronic games "lies almost exclusively in video products," the analysis noted, adding that "the electronic educational/teaching aid market is expected to grow moderately and is expected to be the strongest selling of non-video electronic games."

Significantly for discounters, suppliers questioned about market share of retail outlets mentioned discounters/mass merchants most frequently as the group to increase market share in the future, followed by specialty toy chains and catalog showrooms, while drug stores, mail order operations and department stores are expected to lose market share.

(More than 74% of the toy manufacturers questioned sell through discount stores, while only 58% sell to specialty toy chains.)

In profiling the total toy market, the study found a 9.1% compound annual growth rate from 1967 to 1980, while there was a 10.5% real growth annually from 1976 to 1980. Per-capita toy expenditures were $30.75 in 1980.

Falling far below the growth expected for cartridge and programmable cartridge electronic games, the following growth rates are expected annually between 1981 and 1983, according to the study:

Games and puzzles, 18.7%; dolls and accessories, 11.3%; plush, 7.7%; preschool, 9.5%; wheel goods, 3.6%; toy cars, boats, planes, 5%; infant toys, 4.7%; hobby, crafts, models, 7.7%; outdoor activities, 5.5%.

Bradlees' Test Store Narrows Gap With Conventionals

HINGHAM, Mass.—With the innovations tested in the housewares department of its 10-year-old store here, Bradlees has further narrowed the gap between itself and conventional department stores.

Today, six months after the test began, executives at the chain have termed the experiemnt a success and a major contributor to the store's better-than-20% increase in total sales.

The new approach will be incorporated into six new stores slated for opening or remodeling during April and May, and some combination of the Hingham innovations will gradually be added to the housewares departments throughout the chain. The track lighting, new checkout register and overhead canopies evident here are still being considered for chain-wide rollout.

At the heart of the new plan is a dramatic reduction in the number of gondola run presentations. Those runs remaining have been upscaled with slatted wood, or, in some cases, mirrored backings, instead of traditional pegboard.

In fact, James Hyman, vice president, gmm for hard lines, envisions a gondola-less store emerging in the not too distant future.

The Hingham changes in housewares, according to Hyman, were designed "to build sales in merchandise categories presenting the greatest gross margin opportunities."

Simultaneously, Bradlees intends to reduce dependence on areas such as disposables, traditionally viewed as traffic draws but offering lower gross margin potential.

"We saw where department stores were headed, toward a highly decorative home business at far higher prices," said Hyman. "This gave us an opportunity to move into higher price points. But, to do that, we had to do for the home area what we did for apparel in terms of ambience and fixturing."

Plans for the new housewares/home furnishings department—expanded from 9% to 12% of the 72,000-sq.-ft. store's selling space—took shape after extensive examination of how merchandise was presented at such specialists as Conran's and Crate and Barrel.

(Continued on page 74)

Clear glass is part of the decorative kitchen area. Bulk merchandise is displayed in a showcase with recessed lighting. Boxed sets are bulked on platforms with a pedestal table used to display samples.

Last Dozen of Two Guys Stores Are Shuttered

(Continued from page 1)

A year later, in April 1980, Vornado's two major stockholders, Zissu and Laura Hubschman, widow of one of the founders of Two Guys, who lost her board seat in the 1979 proxy fight, signed a peace treaty with Interstate, giving the latter effective control of Vornado.

Vornado needed to reconcile Two Guys' accounts with vendors as a result of the discounter's highly successful $100 million liquidation sales held in 33 stores that were finally closed in December 1981.

Company executives claimed at that time that the remaining 12 stores would remain in operation. Straightening out accounts with vendors would have been part of the effort to develop a profitable financial and merchandising program for the remains of Two Guys.

The liquidation was run by Two Guys, with outside consultation efforts from Alco Enterprises. Sources reported that Two Guys received about $8 million more than expected from liquidation, obtaining about 62¢ on the (retail) dollar for the merchandise sold.

The discounter stopped payments to manufacturers while the reconciliation was being carried out, with the result that the dozen stores had little new merchandise. A few manufacturers did ship during this period and some vendors' accounts were quickly reconciled, so that these suppliers resumed shipping.

But the net result, one company official said, was that it would have taken too long for the dozen stores to become profitable once they were fully restocked.

Two Guys closed its six New Jersey stores because they were part of the liquidation sale promotion, although those units—in Union, North Bergen, Jersey City, Kearny, Lodi and Toms River—were identified as remaining open after the liquidation.

After making this pledge, running another liquidation sale in the six stores would have destroyed what little value was left for the Two Guys name.

The five Baltimore units and one Lancaster store weren't involved in the liquidation sales last year, so the final GOB effort was held in those units.

The final liquidation was also limited to those six stores because of the small amount of merchandise and poor assortments that remained after the GOB sales in the 33 stores.

Two Guys' remaining dozen merchandising executives handled this sale. They are to be paid a bonus for closing the stores.

The other key staffers at Two Guys headquarters in Garfield are Interstate employees who are now on Vornado's payroll, joining Steven Roth, one of the realtor's general partners, who has been chairman of the executive committee of Vornado's board since 1980, earning about the same salary as chairman Zissu.

Roth was elected to Vornado's board as a result of the 1979 proxy fight, along with Interstate's two other general partners, David Mandelbaum and Russell Wright Jr.

Wright reportedly is now on Vornado's payroll, involved in leasing and/or selling Two Guys sites. The other Interstate employees that have been shifted to Vornado are also engaged in this effort.

The economy and the protracted nature of real estate negotiations have, so far, resulted in few deals for the Two Guys sites. The discounter's store in Newark, N.J., is reportedly going to that city for municipal use, while portions of one or two Two Guys in the Rochester market are to be used for Marshalls' apparel specialty stores.

While Roth is one of three general partners of Interstate, one source said that the conversion of Two Guys from retailing to real estate is a Roth operation, with the realtor mainly the investment vehicle for taking control of Vornado.

Interstate itself has cut back its real estate development activities because of the high interest rates, having sold its Reading, Pa., shopping center, leaving the developer with six operating centers.

The successful conversion of Vornado into a real estate company will depend on the state of the nation's economy and the specific nature of each site, specifically as to whether its greatest potential is for retailing or for industrial or residential use.

Wall Street at presstime had great faith in the transformation of Vornado. The price of the company's stock remained stable, even though the firm doesn't have any significant source of income beyond its three Sutton Place catalog showrooms and the rentals from the leasing of about a dozen ex-Two Guys stores in the Greater Philadelphia market to Jefferson/Ward.

That faith reflects both the Two Guys sites still owned by the company and property in a land bank that was first started by the founders of the discount chain.

The exact stores owned by Vornado and its land holdings haven't been publicly detailed.

Interstate, when it launched its proxy fight in 1979, noted that Vornado's stated book value was $28 per share (while the stock was trading around $16).

Vornado's stated book value for 1980, the last available year, was $26.44. It lost about $7 a share subsequently, so that its stated current book value would be lower. The stock has held at around $14 a share, a sign that investors and stock analysts believe its book value is higher than that price.

One analyst noted that the stock's price and the company's book value don't really tell what Vornado is worth, as its value is its sites and land, and the potential for development of this property.

These "Two Guys From Harrison," Sidney (left) and Herbert Hubschman, founded the one-time 82-store Two Guys chain that is closing its doors permanently. *(DSN photo)*

Two Guys Co-founded By Discount Pioneer

GARFIELD, N.J.—Two Guys was cofounded by Herbert Hubschman, one of the pantheon of early discount pioneers that included such names as Gene Ferkauf, Steve Masters and Marty Chase.

It all began in 1947 in an 800-sq.-ft. converted diner in Harrison, N.J., where Herbert and Sidney Hubschman, with a shoestring capital of $28,000, began to sell TV sets—a hot classification in the years immediately following World War II.

Two years later, Frederick Zissu arranged the merger of that Two Guys with a New York City store, Windsor Fifth Avenue, and in so doing started his climb to the company's chairmanship.

The discounter's first major expansion occurred in 1954 when three 20,000-sq.-ft. stores were opened in Watchung, Totowa and Woodbridge, N.J. These stores and subsequent units were basically lessee-run.

Vornado got into the act in 1959, when the fledgling Two Guys was merged with O. A. Sutton Corp., manufacturer of Vornado appliances, and that name became the name of the new corporation.

Vornado grew steadily in the boom-boom late 1950's and 1960's, acquiring the ownership and management of its leased departments until almost all the sections were company-run.

The first move outside of New Jersey took place in 1957, when a Two Guys was opened in Pennsylvania, to be followed by units in Maryland, New York, Connecticut and Massachusetts.

Herbert Hubschman, who was head of the company, died in 1964 and Zissu, who was co-trustee of the Hubschman family holdings in Vornado, took over as chairman. Murray Siegel remained as president until his death in 1971, when Zissu also became chief executive officer.

Vornado's major expansion took place in 1967, when it acquired Food Giant, Unimart and Builders Emporium stores in California, only to sell the Unimart discount stores to Beck Industries in 1969.

Two Guys opened its own discount stores in California in 1969 and reacquired the Unimart stores from Beck in 1970, remerchandising them as Two Guys.

The East Coast Builders Emporium operation was launched in 1972.

The move West and the thrust into home centers ended in 1978 with the sale of those stores.

Interstate Properties, in a proxy fight, directly traced the "decline of Vornado" to Zissu's management, starting in 1972, when he held all the power. That proxy statement added: "Notwithstanding Vornado's performance since he [Zissu] became chief executive officer, Mr. Zissu has been, in Interstate's opinion, handsomely and increasingly compensated for his services at a time when stockholders have received no cash dividends or distribution."

Vornado temporarily paid a dividend during the period when Zissu was battling to retain his control.

The proxy statement noted that Zissu's salary had gone up, and his employment contract extended while Vornado's income from continuing operations had dropped and finally became a loss in 1977, a year before Interstate made its takeover move.

The peace treaty signed in 1980 maintained Zissu's status and income—not less than $245,000 plus a percentage of any pretax operating profit—while giving Interstate—and particularly Roth—control of the company.

4 of Top 6 Discounters Have Hot Jan.

(Continued from page 3)

14.3% at the company's 329 other stores. Combined corporate volume declined 3.6% in January. Yearlong, the 7.1% sales gain in the Murphy's Marts contributed to a corporate volume gain of 1.8%.

Much of the year's real measure will come when corporate earnings are tabulated in a few weeks. Federated Department Stores has already warned stockholders that sales—11.2% ahead at Richway and Gold Circle combined—have come in an extremely promotional atmosphere.

SCOA Industries, parent of Hills, said preliminary information indicated an earnings decline would be reported for the fourth quarter.

Federated closed its Gold Triangle mass merchandise division in December, with sales at that point running 8.9% behind the previous year's.

Goldman Sachs Research projected a 17.9% drop in fourth-quarter earnings per share at K mart, a 7.9% increase at SCOA Industries, a 25.4% jump at Zayre and a Wal-Mart growth of 38.7%.

Arthur Charpentier, C.F.A., at Goldman Sachs, projected a same-store sales growth of 11% at K mart, and attributed the projected earnings decline in the fourth quarter to an after-tax LIFO charge. FIFO earnings, which some analysts feel more accurately reflects performance, are expected to be flat year to year, while an increase in borrowing during the tough third quarter will almost double interest expense at the chain, he said, to $34 million from $19 million last year.

Charpentier is bullish on Wal-Mart, pointing out that the chain's projected openings are historically low, and he expects the 60 units Wal-Mart plans to add this year will more likely be 65-70. Because some Big K stores will be expanded (as well as some smaller Wal-Marts), total square footage at Wal-Mart may grow by 17%-18% in calendar 1982.

Charpentier expects earnings for the current fiscal year to rise 40% at Wal-Mart.

King's

(Continued from page 2)

are expected to remain smooth for the time being.

KDT has been in negotiations with its several long-term lenders and at one point in mid-February it appeared a financial restructuring of King's parent was being readied. The default notice, however, was delivered before any agreements were met.

In several of its stores, King's has posted open letters to its shoppers.

The letter, which was signed by regional directors, said to consumers that King's is taking a "courageous" step in cutting back the number of stores it has.

The letter also said the chain was "slimming down" in order to "shape up for the 80's." Without lender support, however, King's may end up slimmer than originally anticipated.

K mart Net Expected To Take 19.3% Drop

NEW YORK—K mart's net income is expected to drop 19.3% in the just-completed fiscal year, in a projection made by Goldman Sachs analyst Arthur Charpentier.

He expects net income to be near $210 million, compared to $260.5 million in the previous fiscal year.

Charpentier is optimistic about 1982, however:

"We forecast a 14% sales increase, about 10% from comparable stores and 4% from new ones, and we think expense growth can be held near 12%. Fewer store openings will help, as will efficiencies gained through implementation of the new computer-integrated electronic ordering system."

K mart's switch to fewer new store openings (expected to be 75 to 90 this year compared to nearly 170 last year) will aid lease-related debt, while remodeled stores in Indianapolis are reportedly experiencing 20% sales gains and near 50% increases in profitability. Nearly 1,400 apparel departments are to be redone in the new look this year.

"K mart's expenses grew faster than its sales in eight of the 11 years between 1970 and 1980, which was both a cause and effect of the deterioration in operating profitability," Charpentier said. "In 1981, sales grew faster than expenses—we expect—and we anticipate the same pattern in 1982 and 1983."